

## Message Text

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72

ACTION NEA-16

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 USIA-15 PRS-01 DRC-01 /157 W

----- 035510

R 261232Z JUN 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 2896

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

C O N F I D E N T I A L TEL AVIV 3512

E.O. 11652: GDS

TAGS: ECON, IS

SUBJ: RABINOWITZ READS INTO HIS JOB

1. SUMMARY. SOUNDINGS WE HAVE TAKEN CONFIRM OUR IMPRESSION THAT NEW FINANCE MINISTER RABINOWITZ IS READING INTO HIS NEW JOB AT DELIBERATE PACE. HE HAS KEPT TO LOW PROFILE DURING EARLY PERIOD, POSSIBLY AS MUCH OUT OF CHARACTER AS INEXPERIENCE; IT SEEMS PART OF HIS PERSONAL STYLE. BANK OF ISRAEL'S DRUMFIRE CRITICISM OF GOI POLICIES HAS BEEN MUTED, AS BOTH SIDES GROPE THEIR WAY TOWARD MORE FRUITFUL RELATIONSHIP. ECONOMIC PROBLEMS FACING NEW GOVERNMENT ARE FORMIDABLE AND WILL REQUIRE STRONG FINANCE MINISTER TO MANAGE THEM; AND STRONG GOVERNMENT TO BACK HIM UP. MANY PEOPLE BELIEVE THAT FORMER FINANCE MINISTER SAPIR WILL CONTINUE TO PLAY MAJOR ROLE IN ECONOMY; SOME, WHETHER FROM APPREHENSION OR HOPE, BELIEVE HE MAY OVERSHADOW RABINOWITZ. END SUMMARY.

2. CONVERSATIONS WITH SERIES OF PEOPLE IN AND OUT OF GOVERNMENT SHOW CONSENSUS THAT NEW FINANCE MINISTER RABINOWITZ IS PURSUING DELIBERATE PACE IN FAMILIARIZING HIMSELF WITH JOB. IT IS  
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ALREADY APPARENT THAT HE WILL NOT BE RUSHED INTO DECISIONS.  
FLURRY OF MINISCARES ON DEVALUATION HAVE COME AND GONE WITH GOI

ALMOST DISDAINING TO TAKE NOTICE. OUR INFORMANTS AGREE THAT RABINOWITZ PREFERS TO OPERATE IN THIS CAUTIOUS MANNER, AND NOT HE HAS REPUTATION AS GOOD ADMINISTRATOR.

3. ONE CHANGE IN PUBLIC RELATIONS STYLE IS ALREADY APPARENT. ASIDE FROM COUPLE OF BRIEF STATEMENTS THAT PUBLIC WILL HAVE TO TIGHTEN ITS BELT, RABINOWITZ HAS BEEN ABSENT FROM FRONT PAGES, AS SAPIR HARDLY EVER WAS RECENTLY. WHILE LOW PROFILE WAS TO HAVE BEEN EXPECTED DURING LEARNING PERIOD, THIS SEEMS ALSO IN KEEPING WITH HIS CHARACTER.

4. RABINOWITZ'S STATEMENTS MAY HAVE BEEN MADE WITH ONE EYE COCKED AT BANK OF ISRAEL GOVERNOR SANBAR. A FEW WEEKS AGO SANBAR MADE LATEST OF SERIES OF PRONOUNCEMENTS ON DETERIORATING ECONOMIC SITUATION, NOTING PUBLIC WAS NOT YET AWARE HOW BAD IT WAS GOING TO BE. THIS IS SAMPLE OF RHETORIC WHICH MORE AND MORE IN PAST YEAR AND A HALF, SANBAR HAS BEEN DRIVEN BY FRUSTRATION TO EMPLOY. FEUD BETWEEN SAPIR AND HIS FORMER PROTEGE HAD REACHED PROPORTIONS THAT ENDED ALL INTIMACY BETWEEN THE TWO MEN. SAPIR USED TO WAX CHOLERIC AT PUBLIC CRITICISM OF HIS POLICIES BY BANK OF ISRAEL (BOI). WHILE SANBAR WAS ARTICULATING PUBLICLY BOI'S MISGIVINGS. SANBAR MAY HAVE PRESSED TOO HARD TO SHOW THAT, THOUGH HE WAS SAPIR'S PROTEGE AND OWED APPOINTMENT TO HIM, HE WAS NOT HIS CAT'S-PAW

. THIS PROBLEM SHOULD NOT EXIST WITH RABINOWITZ. WE HAVE BEEN HEARING THAT BOTH SIDES WOULD LIKE TO DEESCALATE LEVEL OF CONFRONTATION. PERHAPS SANBAR HAS BEEN SOBERED BY 18 MONTHS IN WILDERNESS, DURING WHICH HE COULD NOT EFFECTIVELY INFLUENCE POLICY OR PLAY HIS PROPER ROLE AS CHIEF ECONOMIC ADVISER TO GOVERNMENT.

5. ECONOMIC PROBLEMS FACING ISRAEL ARE FORMIDABLE, AND AT SOME TIME OR OTHER ALMOST EVERY CONCEIVABLE SOLUTION HAS BEEN CANVASSED, FROM DEVALUATION TO BUDGET CUTS. PRESS HAS GNAWED OVER POSSIBILITIES AD INFINITUM, IN ABSENCE OF HARD ECONOMIC NEWS. WHAT ACTIONS HAVE BEEN TAKEN TO DATE HAVE BEEN PATENTLY TOO LITTLE; FOR EXAMPLE IMPORT DEPOSIT SCHEME (TEL AVIV 2817) HAS BEEN DISPARAGED AS OF MARGINAL IMPACT. FACT IS THAT GOI IS MARKING TIME ON ECONOMIC POLICIES; THIS HARDLY DIFFERS FROM  
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RECENT SAPIR ERA WHEN HE WAS PREOCCUPIED WITH POLITICAL QUESTIONS AND SEEMINGLY INHIBITED BY MEMORIES OF OLD WOUNDS EARNED IN FIGHTING ISRAEL'S ECONOMIC BATTLES.

6. OUR INFORMANTS POINT OUT THAT RABINOWITZ HAS GOOD POLITICAL CONNECTIONS, AND IN THIS RESPECT IS STRONGER THAN ANY OTHER CONCEIVABLE CANDIDATE FOR HIS POST. THERE MAY BE SOME ELEMENTS OF WISHFUL THINKING IN THIS; GOI REQUIRES STRONG FINANCE MINISTER IF IT IS TO FUNCTION EFFECTIVELY. HOWEVER, SINCE GOVT FEELS ITSELF INSECURE, EVEN IF RABINOWITZ EXHIBITS STRONG LEADERSHIP,

RANGE OF ACTIONS HE CAN CONTEMPLATE MAY BE LIMITED. MANY PEOPLE BELIEVE SAPIR WILL CONTINUE TO PLAY MAJOR ECONOMIC ROLE FROM HIS NEW BASE AS HEAD OF JEWISH AGENCY AND WORLD ZIONIST ORGANIZATION. THIS MAY WORK FOR OR AGAINST RABINOWITZ IN FUTURE, DEPENDING ON CONCLUSIONS HE REACHES AND EXTENT OF THEIR DIVERGENCE (IF ANY) FROM SAPIR'S VIEWS. THIS, LIKE OTHER QUESTIONS, IS WAITING ON RABINOWITZ.  
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